

# **Procurement**

**Performance  
Characterization**

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Berkeley Lab's Fiscal Year (FY) 2003 Self-Assessment result indicates that Procurement successfully supported the Laboratory mission, complied with statutes and regulations, met or exceeded the majority of DOE procurement oversight and system approval expectations, maintained a high level of customer focus and cost-effectiveness, and adhered to currently accepted best business and institutional practices.

For FY 2003, Procurement was measured by the Procurement Performance and Assessment Model (PROAM), a tool developed jointly by the Laboratory, the University of California (UC), and the U.S. Department of Energy (DOE) as the framework for systematically assessing, measuring, and reporting the state of the Laboratory's procurement system.

Procurement met or exceeded the majority of PROAM standards and expectations for system evaluation, cycle-time, rapid and alternate procurement approaches/techniques, supplier performance, customer and employee satisfaction, information availability, and cost-to-spend. Preliminary results for PROAM Sub-gauge 1.4, Meeting Socioeconomic Commitments (not weighted), indicate that two goals were not met as of the Third Quarter. Results for PROAM Sub-gauges 1.2, 1.3, 2.1, 3.1, and 4.2 are also preliminary through the Third Quarter. These will be updated with year-end supplemental data when available. Results for PROAM Sub-gauges 1.1 and 4.1 are finalized for the fiscal year.

Procurement also responded to a DOE Chief Financial Officer/Headquarters review of Berkeley Lab's procurement card activities. The review raised issues, including missing and inadequate documentation, and inadequate review of cardholders' statements and supporting documentation by monthly approvers. In response, Procurement completely overhauled the Berkeley Lab purchase card program, so that the procurement card system addresses all the issues raised by the DOE reviews.

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**Performance  
Objective #1**

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**Procurement Excellence:** *The Laboratory maintains a procurement system that ensures Procurement programs incorporate best practices as applicable, promote customer service, and operate in accordance with policies and procedures approved by DOE and the requirements of the Prime Contract. (Weight = 100%)*

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**Summary**

Berkeley Lab's FY-2003 Procurement Self-Assessment comprises the evaluation of a single Performance Objective encompassing various operational elements relative to procurement system health, efficiency, compliance, customer service, and use of best business practices. The Self-Assessment also serves as the reporting mechanism for the DOE Procurement Balanced Scorecard (BSC), a model for procurement performance benchmarking, measurement, and assessment.

Procurement is measured by PROAM, the framework "Gauge Model" adopted by Procurement to serve as a single, comprehensive Appendix F and Balanced Scorecard assurance and assessment tool. The model is consistent with the fiduciary responsibilities outlined in the UC Prime Contract, DE-AC03-76SF00098, and incorporates the underlying objectives and/or values of the DOE Balanced Scorecard Performance Measurement and Management Program.

The Berkeley Lab Procurement system is an "approved procurement system" under cognizance of the DOE Oakland Operations Office (OAK) Head of Contracting Activity (HCA).

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**Objective #1**  
**Criterion 1.1**

**Assessing Degree of Excellence Achieved:** *The Laboratory documents and reports its performance results against established submeasures contained in the Procurement Assessment Model (PROAM). (Weight = 100%)*

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**Objective #1**  
**Criterion 1.1**  
**Performance**  
**Measure 1.1.a**

**Measuring System and Service Levels:** *An overall Procurement excellence score is determined as a result of the points achieved on the PROAM. The PROAM is the management system framework that establishes and maintains a customer focus, a continuous and breakthrough process-improvement culture, and an emphasis on results. (Weight = 100%)*

**Gradient:**

<b>Points</b>	<b>Rating</b>
$\geq 90$ points	Outstanding
80 – 89 points	Excellent
70 – 79 points	Good
60 – 69 points	Marginal
$< 60$ points	Unsatisfactory

**Performance**  
**Measure Result**

Procurement's performance on PROAM sub-gauges as indicated below under Successes/Shortfalls is illustrated under the FY-2003 Procurement System Assessment Approval spreadsheet (see next page).

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**Successes/**  
**Shortfalls**

Lawrence Berkeley National Laboratory  
FY 2003 Procurement System Approval Assessment

Performance Measures/Measured Activities		Gradient 60/70/80/90/100	Activity Value	Activity Score	Criteria	Total Points for Activity	Performance Objectives
Internal Business Processes							
1.1.a Assessing Systems Operations The Procurement system is assessed against the system evaluation criteria identified in the Procurement Performance Assessment Model (PROAM).							
1.1.1.a		Evaluation of Report	30	30	Systems Evaluation	30	Management of Internal Business Processes 55
1.2.a Measuring Effectiveness					Pursuing Best Practices	20	
1.2.a.1		Average Cycle Time (Days). Transactions ≥ \$100K	>45.0/45.0/39.9/34.9/30.0	10			
1.2.a.2		Average Cycle Time (Days). Transactions < \$100K (BSC Reporting)	Target 9 - 12	0			
1.2.a.3		Average Cycle Time (Days). Overall (BSC Reporting Only)	Target 12 - 15	0			
1.2.a.4		% of transactions placed through alternative/rapid purchasing techniques	<80.0/80.0/85.0/90.0/92.9	10			
1.3.a Measuring Supplier Performance					Measuring Supplier Performance	4	
%		Of-On-Time Deliveries by Key Suppliers	<76.0/76.0/81.0/86.0/90.9	5		5	
1.4.a Meeting Socioeconomic Commitments					Socioeconomic Subcontracting	N/A	
The Laboratory makes significant efforts to meet socioeconomic goals.		Goals As Negotiated With DOI	0	N/A		0	
Small Business Goal = 34.0%							
Small Business Set-Asides Goal = 16.0%							
Small Disadvantaged Business Goal = 7.0%							
Women-Owned Small Business Goal = 4.0%							
HUBZone Small Business Goal = 2.0%							
Veteran-Owned Small Business Goal = 1.0%							
Customer							
2.1.a Customer Satisfaction Rating					Customer Feedback	25	Customer Satisfaction 25
% of satisfied customers (using transactional surveys)		<62.0/62.0/72.0/82.0/91.9	25	25			
Financial							
3.1.a Cost to Spend Ratio					Process Cost	4	Managing Financial Aspects 5
% of purchasing organization cost compared to total procurement obligations		>2.50/2.50/2.20/1.95/1.69	5	4		5	
Learning and Growth							
4.1.a Employee Satisfaction Rating					Employee Feedback	5	Learning and Growth 15
% of satisfied employees (using climate surveys)		<60.0/60.0/70.0/80.0/89.9	5	5		5	
4.2.a Measuring Availability of Information					Measuring Availability of Information	9	10
% of information items available compared to information items needed		<85.0/85.0/88.0/91.0/93.9	10	9		9	
Overall Procurement Assessment							
97							
100							
>=90 Outstanding >=80 Excellent >=70 Good >=60 Marginal <60 Unsatisfactory							

## PROAM Measured Activities

<b>Sub-Measure 1</b>	<b>Management of Internal Business Processes (Activity Value: 55 Points):</b> <i>The Laboratory shall have systems in place to ensure Procurement programs operate in accordance with policies and procedures approved by DOE and the requirements contained in Prime Contract Clause 8.1, Contractor Purchasing System.</i>
<b>Sub-Measure 1.1</b>	<b>Systems Evaluation (Activity Value: 30 Points)</b> <i>The Laboratory conducts, documents, and reports annually, the results of a successful assessment of its purchasing system against evaluation criteria.</i>
<b>Sub-Measure 1.1a</b>	<b>Assessing Systems Operations (Activity Value: 30 Points):</b> <i>The procurement system shall be assessed against the system evaluation criteria described in the PROAM. A series of comprehensive system and/or transactional assessments will be performed each focusing on a specific area. Assessments will take into consideration the level of risk associated with each sub-process, cost benefit analyses, opportunities for process improvement and resolution of system deficiencies. Where applicable, historical data will be used to supplement results obtained for purposes of trend analysis.</i>
<b>Gradient:</b>	
Unsatisfactory	There is not an approach to the primary purpose of the system evaluation and there are major gaps in deployment of the assessment process. Cost benefit analyses and risk assessments are not accomplished and opportunities for improvement are not addressed. Leadership involvement is not evident.
Marginal	There is a basic approach to the primary purpose of the system evaluation. Cost benefit analyses and risk assessments are applied to some deficiencies and opportunities for improvement are generally addressed. Remedial actions are pursued and leadership involvement is evident in some cases.
Good	There is a sound, systematic approach, responsive to the primary purpose of the system evaluation. Cost benefit analyses and risk assessments are good when addressing deficiencies and/or opportunities for improvement. Remedial actions are appropriate and demonstrate responsible leadership in many to most cases.
Excellent	The requirements for a "Good" rating are met. In addition, the approach is responsive to the overall purpose of the system evaluation and cost benefit analyses and risk assessments are good to excellent when addressing deficiencies and/or opportunities for improvement. Remedial actions are sound and demonstrate responsible leadership in most cases.
Outstanding	The requirements for an "Excellent" rating are met. In addition, the approach is fully responsive to all the requirements of the system evaluation and cost benefit analyses and risk assessments are excellent when addressing deficiencies and/or opportunities for improvement. Remedial actions are sound and demonstrate strong leadership in most cases.

**Performance  
Measure Results**
**Third Quarter Results**

Procurement self-assessments were performed in accordance with the Balanced Scorecard (BSC) framework for internal process assessment, risk-based results management, and conform to DOE Contractor Review guidelines in scope, approach, and schedule (36-month review cycle). The Laboratory's FY-2003 System Evaluation Schedule is shown in Table 1 below. To date, Berkeley Lab has completed and/or successfully managed all scheduled internal and external evaluations, including Consultant and Personal Services Agreements (November 2002); Procurement Card Purchases (performed by DOE Headquarters [HQ] in January 2003 as a follow-up to the DOE Oakland Operations Office's [OAK] April 2002 review); and Fabrication Subcontracts (March 2003).

**Table 1. FY-2003 System Evaluation Schedule**

Type of System Evaluation	System Evaluation Standard/Element	Scheduled Date	Completion Date
Consultant/Personal Services Agreements	<ul style="list-style-type: none"> <li>Procurement Policy and Standard Practices</li> <li>All transactional elements</li> </ul>	Nov 30, 2002	Nov 21, 2002
Procurement Card Purchases	<ul style="list-style-type: none"> <li>Procurement Card Guide</li> <li>Procurement Policy &amp; Standard Practices</li> </ul>	Jan 31, 2003	See text below
Fabrications	<ul style="list-style-type: none"> <li>Procurement Policy and Standard Practices</li> <li>All transactional elements</li> </ul>	Mar 29, 2003	Mar 25, 2003

**Consultant and Personal Services Agreements**

The Consultant and Personal Services Agreement (PSA) system evaluation conducted November 21, 2002, uncovered no major findings but noted several instances of missing Division Head approvals. Even though no evidence of fraud or unallowables was found, failure to obtain Division Head approval constituted a deviation of Berkeley Lab policy (SP 37.1) prior to implementation of the Procurement/Receiving/Payables (PRP) system in August 2002. This finding was not deemed likely to reoccur, however, since Division Head approval can now be eliminated due to PRP's built-in safeguard mechanism: electronic requisition approvals cover

all attachments (i.e., Consultant/PSA Request, sole source justification, etc.). In light of this development, the Appraisal Team recommended the following corrective action:

PSA-1-03: Revise SP 37.1 to eliminate the requirement for Division Head approval.

The Manager of Procurement Policy (“manager”) acknowledged and concurred with the review’s findings and, based on the risk-based corrective action assessment (summarized below), considered implementation of the recommendations cost effective and commensurate with the associated risk involved. The measure, summarized in Table 2 (appearing at the end of the section), were implemented expeditiously under his direct supervision.

#### *Not Obtaining Division Head Approval*

Observed Risk: Consultant/PSA Requests lacking Division Head approval is a violation of Laboratory policy and potentially exposed the Laboratory to unauthorized procurements, cost liability, fraud, and abuse.

Corrective Action/Improvement Opportunity: Revise SP 37.1, *Consultants and Personal Services*, to eliminate the requirement for Division Head approval., as the existing PRP Signature Authorization System (SAS) electronic approval process has been implemented in lieu of division head approval.

Cost/Benefit Analysis: The cost for taking the above action was minimal. The benefit is a streamlined process with no compromise in accountability and control (built into PRP).

Additional Opportunities for Improvement: None were noted. Since an electronic safeguard is built into PRP, no validation was deemed necessary.

Priority: High priority; implementation of change to SP 37.1, *Consultants and Personal Services*, took place within 90 days.

#### **Procurement Card (PCard)**

Because scheduling of the PCard self-assessment coincided with the Laboratory’s ongoing implementation of corrective actions from the April 2002 OAK audit as well as the January 2003 DOE HQ follow-up review, a management decision was made, with OAK approval, to manage these activities in lieu of an internal assessment. The following summarizes OAK’s audit findings (reference: *Report of OAK’s April 2002 Department Purchase Card Program Pilot Review*) and Laboratory risk assessments and corrective actions (reference: *Berkeley Lab’s Corrective Action Plan in response to the OAK Pilot Review*), leading up to the HQ follow-up review:



*DOE-OAK Review (April 2002)*

The OAK review of the LBNL Procurement Card Program uncovered a number of instances where internal controls and procedures needed strengthening. Control issues included instances of inadequate approving official review of cardholder statements, missing documentation to support purchases, purchase of restricted items, non-Laboratory employees with purchase cards, cardholders not obtaining required prior authorization, and cardholders splitting transactions. A total of six (6) recommendations were made as a result of these findings. These are shown below under Items 1 thru 6. In addition, Items 7 thru 9 were developed independently by the Laboratory to further improve its Procurement Card program.

1. Consider implementing a training program for Monthly Approvers. Emphasize the importance of the Monthly Approver as a key control element. Establish better criteria for sampling transactions, documenting monthly review and providing input/feedback to the cardholder and the Procurement Administrator.
2. Implement periodic refresher training for cardholders. Emphasize best practices of cardholders with fully developed systems for maintenance of support documentation for purchases.
3. Revise policy and procedures to address controllable property identification for personal property greater than \$5,000 for those cardholders with higher credit limits.
4. Pursue recovery of sales taxes paid. Emphasize the importance of the sales tax exemption in training. Establish mechanism for Accounts Payable to provide evidence of sale tax recovery to the cardholder for their files.
5. Evaluate and take appropriate action to comply with existing policy on the issuance of cards to employees only or reassess the policy.
6. Evaluate and take appropriate action to comply with existing policy on the use of cards by the named cardholder only.
7. Devise a Cardholder Violations/Consequences policy to formally define the consequences faced by a cardholder for the listed program violations.
8. Establish an automated, electronic method for determining the termination in employment of Laboratory employees and guests who are cardholders will be established. This will support current procedures to ensure procurement cards are canceled at the termination of an authorized cardholder's employment.

9. Establish a custom Merchant Category Code (MCC) Group with the procurement card bank in order to block additional merchant categories/purchases from the card, specifically certain types of retail merchant categories. The new custom group will be used on the majority of procurement cards. The new custom group will also provide additional protection should a Laboratory procurement card account ever become compromised.

#### *Risk Assessment*

The Manager acknowledged and fully concurred with the review's findings, and considered the recommendations cost-effective and commensurate with the associated risk. He also concluded that a full-fledged risk-based corrective-action assessment was not necessary since the recommended changes were all deemed significant control issues that needed to be rectified. The corrective measures, summarized in the *Berkeley Lab's Corrective Action Plan in response to the OAK Pilot Review* (released earlier) and in Table 3 (appearing at the end of this section), were scheduled and implemented expeditiously under his direct supervision (last milestone completed April 21, 2003).

#### *DOE-HQ Review (January 2003)*

The key objectives of the DOE HQ review of Berkeley Lab's procurement card program was to assess program controls and evaluate the effectiveness of corrective actions implemented since the April 2002 review. Many positive program aspects were noted along with a number of challenges. The review [reference *Report of January 2003 Headquarters Review of Selected Financial Management Topics at LBNL, including Findings and Recommendations*] concluded that the LBNL procurement card program needed significant changes in order to provide reasonable assurance that controls are adequate to identify and deter potential fraud and abuse. A total of nine (9) recommendations for implementation by the DOE Contracting Officer/Laboratory were made as a result of these findings. (The Laboratory's subsequent response to each recommendation is also shown for information purposes.)

1. Recommendation: The Contracting Officer (CO) should direct Lawrence Berkeley National Laboratory (LBNL) to obtain documentation to support all identified instances of missing documentation from this review or to take other actions to verify that the cardholder transactions in question represented valid charges to the Government (e.g., physically inspect items claimed to have been purchased). Appropriate management actions should also be taken to address on-going cardholder performance problems.

Response: In February 2003 the Laboratory Director, as a result of recent audits and reviews, asked all LBNL divisions to conduct a

three year retro review of all PCard transactions (approximately 100,000 transactions). The review is scheduled to be conducted in three phases: (1) Assessment (Feb-Mar), (2) Correction (Mar-Apr), and Archiving (May).

We have already revoked the card buying privileges of individuals who had significant documentation errors. In addition, we have revoked the buying privilege of about 50 other cardholders who had not taken the refresher training (or their monthly approver did not take their training). We have reduced the number of cardholders to approximately 80, from 295 in April 2002. We are redesigning the program for a cardholder population of 30–35. The task force report, *Lawrence Berkeley National Laboratory Task Force: Report on Low Value Procurements*, dated April 2003, presents the recommendation to implement such a program.

2. Recommendation: The CO should direct LBNL to require cardholders to maintain adequate documentation to support purchases, including: invoices, receipts, packing slips, evidence of independent receipt, and other relevant documentation as available. Further, monthly approvers should ensure that the documentation provided by the cardholder is adequate to support the purchase, or request additional information before approving the transaction. Approving officials should be trained to ensure that the information provided on cardholder documentation is sufficient to relate the documentation to the specific purchase (e.g., includes dollar values, purchase order numbers, etc.). LBNL guidelines should be revised to reflect the specific requirements.

Response: We are reviewing the documentation requirements. Although cardholders have little control over the level of detail that vendors supply on their packing slips, we will explicitly put in our policy and training instructions to get as much documentation as available, including screen shots on items ordered on the internet, to ensure an auditor can associate a specific item to the file documentation. Our redesigned PCard program will have central receiving functions to address this area of concern. The training has been conducted. For those cardholders or approvers who have not attended the required training, the cardholder's buying privileges have been revoked (approximately 50 cardholders).

3. Recommendation: The CO should direct LBNL to require that monthly approvers review documentation to support every cardholder transaction on their monthly statements. Appropriate management actions should also be taken to ensure that monthly approvers are held accountable for complying with requirements.

Response: LBNL has reduced the number of monthly approvers, and

current approvers are business managers or a line designee of the Division Director who have been provided formal required training. In the redesigned PCard program, monthly approvers will be Procurement supervisors who will be held accountable by Procurement Management for complying with program requirements. These Procurement supervisors will receive training that emphasizes the responsibility of approvers.

4. Recommendation: The CO should direct LBNL to discontinue the practice of allowing cardholders to provide prior authorization for (have signature authority for) their own transactions. Prior authorization should be independent of the cardholder.

Response: In LBNL's redesigned PCard program, there will be a formal requisitioning process, with cardholder being independent from the requestor.

5. Recommendation: The CO should direct LBNL to require independent monthly approval of all cardholder statements and transactions including those of procurement buyers.

Response: The procurement buyers accounted for less than 0.5% of all transactions and less than 1% of all PCard dollars spent. Their purchases were from vendors that would not take a purchase order. These individuals have purchasing authority (without review) from \$100,000 to \$5M. In addition, there was a separate requisition process in that the LBNL scientific division requested these purchases. However, Berkeley Lab has already revoked these cards from the Procurement Department buyers. In the redesigned program, the Procurement supervisors will be responsible for the monthly approval of cardholders' statements and transactions. They will ensure proof of receipt is documented for all transactions.

6. Recommendation: The CO should direct LBNL to cancel or deactivate cards for UC cardholders that are not currently employed by LBNL.

Response: We have cancelled non-LBNL employee cards as a result of this recommendation. In the redesigned program, only fulltime LBNL Procurement employees will have PCards. There will be no PCards in the hands of non-LBNL employees.

7. Recommendation: The CO should direct LBNL to revise its property management tagging policy and procedures to require that all property meeting the PMR sensitive item definition be tagged with a unique identifying number and tracked in property records. LBNL should further ensure that non-sensitive items are appropriately tagged as Government property.

Response: We are currently working with UCOP, UCLA, and DOE to determine the exact items that require tagging, along with a Tri-Lab standard procurement practice on PCard policies and procedures. LBNL's redesigned PCard program will meet the requirements of the new UC corporate standard. LBNL is currently redesigning its purchase card program and expects to have the program fully implemented by December 31, 2003.

8. Recommendation: The CO should direct LBNL to take appropriate actions to validate that the cardholder transactions questioned in the April 2002 review represented valid charges to the Government. In addition, appropriate management actions should be taken to address those cardholders who failed to follow established guidelines. The results of these activities should be well documented to support future review.

Response: Berkeley Lab is aggressively correcting all documentation deficiencies from the last three years' PCard purchases, which includes the April 2002 review. This review will be completed by April 30, 2003.

9. Recommendations: The CO should direct LBNL to:
  - a. Establish and enforce specific policies and procedures on consequences for cardholders and approving officials who fail to comply with program requirements.

Response: LBNL has developed and issued the PCard consequences/violation policies and updated its commitment letters and the PCard Guide and Policy Manual. Under the new PCard program, approvers will be distributed purchasing supervisors, subject to standard procurement practices and performance reviews.

- b. Require cardholders and monthly approvers to sign up-front agreements regarding their responsibilities and related consequences for inappropriate use of purchase cards.

Response: Berkeley Lab has reissued its commitment letters and has always required signed, upfront agreements.

- c. Notify monthly approvers and cardholders of problems/issues including:  
Questions arising from "red flag" reviews, instances of missing documentation, instances where cardholders fail to reconcile transactions in a timely manner, and other relevant issues.

Response: Under the new PCard program, this will be part of the standard and continuous training of PCard holders in the Procurement Department.

- d. Establish a set timeframe for periodic refresher training for cardholders and monthly approvers (e.g., every 2 years).

Response: All current PCard holders have been trained. Under the new program, the Procurement employees will undergo extensive training on PCard policies and use of the various software systems. Periodic refresher training will be offered.

- e. Expressly prohibit cardholders from approving their own statements in local policies.

Response: LBNL will revise its PCard guidelines/policy to expressly prohibit cardholders from approving their own statements. All new cardholders and approvers will be trained to this guidance.

- f. Ensure all cardholders and monthly approvers receive up-to-date training as soon as possible, and consider suspending purchasing privileges when training requirements have not been met.

Response: As of January 31, 2003, 178 cardholders have taken refresher training in Laboratory PCard policies and procedures. Monthly approvers also received approver training. PCard holders who either did not take the refresher training and/or their approvers failed to complete approver training had their PCard privileges revoked.

- g. Formally document LBNL compliance with specific requirements of Acquisition Letter 2002-07, "Contractor Purchasing System Reviews - Purchase Card Considerations."

Response: We believe our new PCard program is in full compliance with AL 2002-07 and will submit the program for DOE/BSO review to ensure this compliance. Attached (previously) is a copy of the report, which contains recommendations for a redesigned PCard program at Berkeley Lab. This program is fully compliant with the Acquisition letter.

- h. Notify cardholders, monthly approvers, and requestors when costs are charged to default projects due to failure of cardholders to reconcile transactions in a timely manner. Require resolution and re-charging as appropriate.

Response: In the new PCard program, a requisition is required with a valid project ID. Therefore, no default project ID will be charged.

### *Risk Assessment*

The Manager acknowledged and fully concurred with the DOE-HQ review's findings, and considered the recommendations valid and necessary. He also concluded that, as per the OAK review finding, a full-fledged risk-based corrective action assessment was not necessary by virtue of the fact that all of the recommendations addressed control issues that needed rectification. The Laboratory's response to DOE-HQ findings and recommendations fully addressed all issues raised by DOE-HQ. Additionally, a Low Value Procurement Task Force, consisting of senior Laboratory representatives, was established by the Laboratory Director to specifically address the stated concerns and to develop a new Low Value Procurement Program that eradicates these systemic vulnerabilities. (See the *LBNL Task Force Report on Low Value Procurements*, dated May 14, 2003.) In establishing the new program, the task force focused on the key elements of significantly enhanced accountability from fewer cardholders, more effective controls, and line management accountability. The *Task Force Report on Low Value Procurements* was issued in May 2003. The Low Value Procurement Program is currently being implemented and is expected to be in place by October 2003.

### *Referenced Correspondence and Documents*

Official correspondence issued up to this point includes the following: (1) *Report of January 2003 Headquarters Review of Selected Financial Management Topics at LBNL, including a) Findings and Recommendations, and b) Report of OAK's April 2002 Department Purchase Card Program Pilot Review*; (2) *Berkeley Lab's Corrective Action Plan in response to the OAK Pilot Review*; (3) *The Laboratory's Response to Findings and Recommendations As Noted in the Headquarters Review of Selected Financial Management Topics at Lawrence Berkeley National Laboratory*; and (4) *The LBNL Task Force Report on Low Value Procurements*. These documents (not attached) have all been previously issued and are retained in Procurement files.

### **Fabrication Subcontracts**

The Fabrication Subcontracts review examined, on a transactional basis, Procurement's compliance with federal laws, regulations, Contract 98, and approved Laboratory procedures for mechanical and electronic fabrications. The March 25, 2003, evaluation determined that goods and services procured under fabrication orders support the Laboratory mission in a cost-effective and compliant manner, and support Laboratory policy and business principles governing such actions, with no systemic findings apparent. As a result, no corrective actions were recommended, and no risk assessment was performed. Fabrications will be re-evaluated in approximately 36 months from the FY-2003 assessment date.

### Summary

The Laboratory's risk-based assessment resulted in one corrective milestone selected for implementation from the two internal system evaluations and nine corrective actions from the April 2002 OAK review. They are shown in Tables 2 and 3, respectively. These tables also illustrate the Laboratory's current progress on corrective-action implementation on these assessments.

**Table 2. FY-2003 Internal System Evaluation Corrective-Action Schedule**

<b>Action</b>	<b>Responsible Person</b>	<b>Scheduled Completion Date</b>	<b>Actual Completion Date</b>
PSA-1-03: Revise SP 37.1 to eliminate the requirement for Division Head approval.	Chen	Feb 28, 2003	Feb 27, 2003



**Table 3. FY-2003 DOE-OAK PCard System Review Corrective-Action Schedule**

Action	Responsible Person	Scheduled Completion Date	Actual Completion Date
<i>#1. Training Monthly Approvers</i>			
Develop a training class for monthly approvers with the goal of strengthening the monthly approvers' oversight of cardholders and increasing their understanding of the PCard program. Stress the importance of the monthly approver's role in the PCard program. Check other UC campuses, DOE, and Labs to obtain information/documentation regarding their approver training methods. Train approvers to verify the cardholder is retaining the necessary paperwork. Alter/revise based on feedback from first training session.	Fernandes	October 23, 2002	October 28, 2002; November 4, 2002
Conduct training: Hold primary class. Hold make-up class.	Fernandes	October 29, 2002; November 5, 2002	October 29, 2002; November 5, 2002
Hold additional monthly approver make-up sessions.	Fernandes	January 8, 2003; January 15, 2003	January 8, 2003; January 15, 2003; March 13 and 19, 2003
<i>#2. Cardholder Refresher Training</i>			
Develop cardholder refresher training classes. In particular, emphasize program requirements in which the DOE review showed weaknesses: signature authorization, retention of packing slips, recovery of sales tax and split orders. Alter/revise based on feedback from first training sessions.	Fernandes	October 23, 2002	October 25, 2002; October 26- November 13, 2002
Conduct refresher training – Phase 1 cardholders. Hold training class. Hold make-up class.  Hold additional Phase 1 make-up sessions.	Fernandes	November 6, 2002; November 14, 2002; January 8, 2003; January 14, 2003	November 6, 2002; November 14, 2002; January 8, 2003; January 14, 2003

**Table 3. FY-2003 DOE-OAK PCard System Review Corrective-Action Schedule (continued)**

<b>Action</b>	<b>Responsible Person</b>	<b>Scheduled Completion Date</b>	<b>Actual Completion Date</b>
Conduct refresher training – Phase 2 cardholders. Hold training class.	Fernandes	October 25 and 31, 2002;	October 31, 2002;
Hold make-up class.		November 4, 2002;	November 4, 2002;
Hold additional Phase 2 make-up session.		January 9, 2003	January 9, 2003
<i>#3. Controllable Property</i>			
Include controllable property on the cardholder/low value field buyer Restricted Items list.	Fernandes		June 27, 2002
Notify cardholders with Procurement Card authority above \$5k regarding the updated controllable property restriction on the card and low value buying.	Fernandes		June 27, 2002
Update the “Commitment Authority – Procurement Card Purchases” letter given to cardholders who have signature authority above \$5k to include the controllable property restriction.	Fernandes		April 23, 2002
Validate action by reviewing order records of cardholders with procurement card authority above \$5k. Perform a follow-up review.	Fernandes/ Davis	September 30, 2002; January 31, 2003	September 30, 2002
<i>#4. Recovery of Sales Taxes Paid</i>			
Determine outstanding sales tax paid and give the information to A/P for recovery.	Fernandes/ Davis	July 20, 2002	July 17, 2002
Validate action by verifying that sales tax credit has been processed and applied to the July GL.	Fernandes/ Davis	August 9, 2002	August 2, 2002
<i>#5. Issuance of Cards to non-Lab Employees</i>			
Update Procurement Card documentation (Cardholder Procurement Card Guide) to include policy regarding non-issuance of Procurement Cards to non-Laboratory employees.	Fernandes		June 4, 2002
Validate action.	Fernandes		June 4, 2002

**Table 3. FY-2003 DOE-OAK PCard System Review Corrective-Action Schedule (continued)**

Action	Responsible Person	Scheduled Completion Date	Actual Completion Date
<i>#6. Use of Cards Only by the Named Cardholder</i>			
Cardholder has been notified to stop the practice of allowing another employee to charge against the card.	Fernandes		April 16, 2002
Cardholder notified of suspension from using the Procurement Card for two months, effective October 1, 2002.	Fernandes	August 15, 2002	August 15, 2002
Validate action. Audit cardholder's Procurement Card activity after cardholder resumes Procurement Card buying.	Fernandes	January 31, 2003	January 31, 2003 and February 26, 2003
<i>#7. Cardholder Violations/Consequences Policy</i>			
Finalize draft cardholder violations to the Procurement Card program and consequences policy.	Fernandes	October 8, 2002	October 14 and 22, November 11, 2002
Meet and discuss with HR regarding proposed policy.	Arri/Weiner	December 20, 2002	December 20, 2002
Obtain LBNL Management approval of policy.	Arri/Weiner/Scott	February 28, 2003	January 16, 2003
Communicate Violations/Consequences policy to cardholders, monthly approvers and division contacts.	Fernandes	March 15, 2003	April 17, 2003
<i>#8. Cardholder Termination – Automated Notification of Lab Employment Termination</i>			
Meet with ISS and Travel to understand how ISS designed employee termination notification system for Travel works. Determine how Travel's notification system can be modified for use by PCard Administration.	Ball/Fernandes	October 30, 2002; November 12, 2002	October 30, 2002; November 12, 2002
Submit desired notification design to ISS.	Ball	November 13, 2002	November 13, 2002
Create electronic employee/guest termination notification system for PCard Administration.	Arri/Ball/Fernandes/Guerrero	December 23, 2002	December 19, 2002

**Table 3. FY-2003 DOE-OAK PCard System Review Corrective Actions Schedule (continued)**

<b>Action</b>	<b>Responsible Person</b>	<b>Scheduled Completion Date</b>	<b>Actual Completion Date</b>
<i>#9. Establishment of a Custom Merchant Category Code (MCC) Group</i>			
Determine the merchant category codes to be blocked under the new custom MCC category code group.	Fernandes/ Davis	January 31, 2003	March 13, 2003
Contact the bank to establish a custom MCC category code group and give the bank the merchant codes to be blocked under the new MCC group.	Fernandes	February 14, 2003	January 13, 2003; March 13, 2003
The bank will establish a LBNL custom MCC group number and notify Pcard Administration.	Trusiak/Wolff	March 31, 2003	March 19, 2003
Determine card accounts/cardholders who will receive the new custom MCC group block on their cards.	Fernandes/ Davis	March 31, 2003	March 21 and 24, 2003
Process update with bank, changing the MCC group on specified card accounts to the new custom MCC group.	Fernandes/ Davis	April 11, 2003	March 24, 2003; April 3, 2003
Verify requested changes have been made to the specified card accounts by the bank.	Davis	May 9, 2003	April 21, 2003

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**Sub-Measure 1.2**

**Pursuing Best Practices (Activity Value: 20 Points)**

*The Laboratory will compare its operational effectiveness to benchmarking data and industry standards and establish goals and gradients accordingly.*

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**Sub-Measure 1.2.a**

**Measuring Effectiveness (Activity Value: 20 Points)**

*The Laboratory will be measured against benchmarks and industry standards for cycle time results for transactions (i.e., new purchase orders, task orders, and subcontracts), percent of transactions placed through rapid and alternate procurement approaches/techniques.*

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**Sub-Measure 1.2.a.1**

**Average Cycle Time (Days) for Transactions More Than \$100,000  
(Activity Value: 10 Points)**

*Performance will be assessed and rated based on the following gradients:*

**Unsatisfactory** > 45.0 Days

**Marginal** 40.0–45.0 Days

**Good** 35.0 – 39.9 Days

**Excellent** 30.0–34.9 Days

**Outstanding** < 30.0 Days

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**Sub-Measure 1.2.a.2**

**Average Cycle Time (Days) for Transactions Equal To or Less Than \$100,000  
(Activity Value: 0 Points)**

*Goal for BSC Reporting is: 9–12 Days*

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**Sub-Measure 1.2.a.3**

**Average Cycle Time (Days) for all Transactions (Activity Value: 0 Points)**

*Goal for BSC Reporting is: 12–15 Days*

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**Sub-Measure 1.2.a.4 Percent of Transactions Placed Through Rapid and Alternative Procurement Approaches/Techniques (Activity Value: 10 Points)**

*The percentage of transactions placed using rapid and alternative procurement approaches/techniques will be measured. Transactions will include purchasing cards, verbal orders, Just-In-Time (JIT) contracts, Material Release System (MRS), Electronic Data Interchange (EDI), E-Commerce, Blanket Orders, Leveraged Buys, Integrated Contractor Purchasing Team (ICPT) National Agreements, Stores, and Low Value Purchases.*

*The percent utilization of rapid and alternative procurement approaches/techniques will be measured using the following formula:*

$$\frac{\text{Number of Transactions Using Rapid and Alternative Procurement Approaches/Techniques}}{\text{Total Number of Transactions}}$$

*Performance will be assessed and rated based on the following gradients:*

**Unsatisfactory** < 80.0%

**Marginal** 80.0 – 84.9%

**Good** 85.0 – 89.9%

**Excellent** 90.0 – 92.9%

**Outstanding** > 93.0%

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**Performance  
Measure Results**

**Third Quarter Results**

*Cycle-Time*

The Laboratory achieved a Third Quarter year-to-date (YTD) result of 20.7 days for transactions over \$100,000, and continues to meet the criteria for Outstanding. The Laboratory's performance on Cycle-time continued to be competitive with government and industry standards, such as the Center for Advanced Purchasing Studies (CAPS) benchmarks established by the Institute of Supplier Management (ISM). It was noted that performance in this area has steadily improved over the same period the past two years (27.3 days in FY 2001, 23.2 days in FY 2003), attributed primarily to incremental efficiencies gained from new tools and equipment (PeopleSoft Purchasing Receiving Payables system [PRP]; faster computers, networks and connections, Web server access, data warehouse, etc.).

*For Information Only:* The Laboratory's Third Quarter YTD Cycle-time for orders ≤ \$100,000 was 7.8 days. The Third Quarter overall YTD Cycle-time for all orders was 8.2 days.

*Rapid and Alternative Procurement Approaches/Techniques*

The Laboratory's Third Quarter Rapid and Alternative Procurement Transactions (RAPT), which include Distributed (i.e., Procurement Card, Low Value), B2B System Subcontract (JIT) and Blanket transactions, was 93.6% of all procurements. This meets the criteria for Outstanding. Current results reflect the following transaction basis:

Alternate Procurement Transactions to date:	54,913
Total Procurement Transactions to date:	58,674

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**Sub-Measure 1.3****Supplier Performance (Activity Value - 5 Points)**

*The Laboratory shall manage its suppliers in such a manner as to ensure that the goods and services provided meet the Laboratory's requirements.*

**Sub-Measure 1.3.a****Measuring Supplier Performance (Activity Value - 5 Points)**

*The Laboratory shall measure the percentage of on-time deliveries from key suppliers.*

*The percentage of on-time deliveries of purchased goods from key suppliers will be tracked quarterly and performance will be measured on a cumulative basis. The following formula will be used:*

$$\frac{\text{Number of On-Time Deliveries by Key Suppliers}}{\text{Total Number of Deliveries by Key Suppliers}}$$

*Key suppliers are defined as commodity vendors within the past three years who were awarded a minimum average of ten orders and \$50,000 per year, or those supplying critical commodities at any activity or dollar level. Analysis of supplier activity spanning three years, taking into consideration their programmatic significance, results in the selection of the following 25 key suppliers for FY 2003:*

Agilent Technologies	Network Appliance*
Alcatel Vacuum Products	Newport Corporation
Apple Computer Inc.	PC Mall
Applied Biosystems	Physical Electronics Inc.
CDW*	Precision Computers*
Dell Computer Corporation	SESO
EDC Systems*	Stanford Research Systems
FEI	Stealth Network Communications*
Fine Tec Computer*	Sun Microsystems Inc.
In-Sync*	Varian Inc.
JEOL	VAT Inc.
McBride & Associates	Western Tool and Engineering*
National Instruments Corporation	

\* Small business concern

Performance will be based on cumulative results through year-end. Assessment and rating will be based on the following gradients:

<b>Unsatisfactory</b>	< 76.0%
<b>Marginal</b>	76.0 – 80.9%
<b>Good</b>	81.0 – 85.9%
<b>Excellent</b>	86.0 – 90.9%
<b>Outstanding</b>	> 91.0%



**Performance  
Measure Results**

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**Third Quarter Results**

Key suppliers collectively achieved an 82.3% on-time delivery through the Third Quarter, which rates as Good under the gradient.

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**Sub-Measure 1.4****Socioeconomic Subcontracting (Activity Value: 0 Points)**

*The Laboratory shall support and promote socioeconomic subcontracting programs..*

**Sub-Measure 1.4.a****Meeting Socioeconomic Commitments (Activity Value: 0 Points)**

*The Procurement organization will provide, the percentage of actual subcontract dollar obligations (not subcontract face value) in the following six categories: Small Business, Small Business Set-asides, Small Disadvantaged Business, Veteran-Owned Small Business, Women-Owned Small Business, and HUBZone awards. A description of annual activities in support of the socioeconomic program will also be provided.*

*Obligations qualifying in more than one category may be counted in more than one category, e.g., Small Business and Small Disadvantaged Business. Lower tier subcontracts cannot be counted toward the primary goal, but may be goaled and reported separately.*

*The purchasing base will include all obligations incurred during the fiscal year period, excluding: (1) Subcontracts with foreign corporations which will be performed entirely outside of the United States; (2) Utilities (gas, sewer, water, steam, electricity and regulated telecommunications services); (3) Federal Supply Schedule Orders and GSA Orders to large businesses when all terms of the GSA contract apply; (4) Agreements with DOE management and operating contractors and University campuses; (5) Federal government and DOE mandatory sources of supply; Federal prison industries, industries of the blind and handicapped; and (6) Procurement card purchases.*

*Goals as negotiated with DOE for FY 2003 are as follows:*

<i>Small Business</i>	<i>34.0%</i>
<i>Small Business Set-Asides</i>	<i>16.0%</i>
<i>Small Disadvantaged Business</i>	<i>7.0%</i>
<i>Women-Owned Small Business</i>	<i>4.0%</i>
<i>HUBZone Small Business</i>	<i>2.0%</i>
<i>Veteran-Owned Small Business</i>	<i>1.0%</i>

**Performance  
Measure Result***Third Quarter Results:*

The Laboratory's Third Quarter results, in comparison with approved goals, are as follows:

<b>Category</b>	<b>Goal (%)</b>	<b>Actual (%)*</b>
Small Business	34.0	41.8
Small Business Set-Aside	16.0	17.6
Small Disadvantaged Business	7.0	4.8
Women-Owned Small Business	4.0	6.1
Hubzone Small Business	2.0	0.26
Veteran-Owned Small Business	1.0	0.03

\*Cumulative through June 30, 2003 (Procurement Base = \$81.4M)

The Laboratory's Third Quarter results fell below expectations in three categories: Small Disadvantaged Business (SDB), HUBZone Business (HZSB), and Veteran-Owned Small Business (VOSB). Despite the shortfall, dollar commitments were significant in these areas: \$3.9M for SDB; \$209k for HZSB; and \$21k for VOSB. HZSB and VOSB awards represent record levels since reporting for these categories began in FY 2002. (FY 2003 represents the first year HZSB and VOSB are goalled under DOE's program.) Goals for the other categories (SB, Small Business Set-Aside [SBSA], Woman-Owned Small Business [WOSB]) were comfortably exceeded, and overall performance is not far from expectations given Procurement's ambitious goals.

The Laboratory's FY-2003 outreach included participation in the DOE Small Business Reservation program; DOE Small Business Set-Aside program; DOE 8(a) Business Development program; Advanced Acquisition Planning for major procurements; using ProNET, GSA contracts, and government and industry source directories and Web sites as vendor sourcing tools; DOE, Small Business Administration (SBA), and local industry/government-sponsored workshops; business development and technology expositions (e.g., ICSBD, NCSDC, MBDA); membership in ICSBD; attending DOE Annual Small Business Conference and advertising on its procurement Web site; maintaining an Internet Web page for vendors; hosting annual Information Technology and Laser expositions; targeting small and disadvantaged businesses in advertised architect-engineer (A-E) and construction projects, maximizing small business participation in construction and A-E studies and major acquisitions; advertising in the *Minority Business and Professional Directory*; aligning subcontracting objectives with employee performance expectations; and maintaining an open-door policy for vendor product demonstrations.

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**Sub-Measure 2****Customer Satisfaction (Activity Value: 25 Points)**

*The Laboratory shall assess the degree of satisfaction with Procurement's ability to meet customer needs in terms of timeliness, quality, and communications.*

**Sub-Measure 2.1****Customer Feedback (Activity Value: 25 Points)**

*As a continuous indicator of overall customer satisfaction, the Procurement function will survey the needs and satisfaction of its Laboratory customers relative to its purchasing systems and methods.*

**Sub-Measure 2.1.a****Satisfaction Rating (Activity Value: 25 Points)**

*As a continuous indicator of overall customer satisfaction under the BSC, LBNL Procurement will conduct real-time oral transaction surveys of its requesters relative to its purchasing systems and methods and use the results to determine satisfaction ratings. FY 2003 surveys will be conducted as described below.*

Customer Sampling

*Requesters of 48 randomly selected transactions and 12 transactions reflecting critical projects selected by the Manager will be surveyed verbally from a projected universe of approximately 5,500 transactions based upon an estimated confidence level of approximately 98% and error rate of 10% as determined by the US Army Audit Statistical System. Five surveys will be conducted per month.*

Survey Questionnaire

*The survey questionnaire addresses core response areas in the BSC Performance Measurement and Management Program including timeliness, quality, communication, efficiency, and ethical practices.*

*Requester Survey respondents will be asked to provide Yes/No answers to four questions and an overall satisfaction rating (Poor, Below Average, Satisfactory, Highly Satisfactory, or Outstanding) for the transaction with comments on potential areas for improvement. For scoring purposes, the responses will be converted to a 100-point scale by assigning 20 points to each question, so that the maximum score for each questionnaire will be 100 points. A "yes" response to each of the first four questions will be worth 20 points; a "no" response will be worth zero points. The response to the fifth question will be scored as follows: Poor, 0 points; Below Average, 5 points; Satisfactory, 10 points; Highly Satisfactory, 15 points; and Outstanding, 20 points. A score of 70 points or better for a questionnaire will be interpreted to mean that the customer is satisfied. The formula below will then be applied to determine the customer satisfaction rating.*

*Customer Satisfaction Rating = 
$$\frac{\text{Number of Satisfied Requesters}}{\text{Total Number of Requesters Responding to Survey}}$$*

*Survey results and comments for potential areas for improvement will be compared against the previous survey results to the maximum practicable extent and presented to Procurement management for review, analysis, and required action. Results will be reported in the year-end Self-Assessment.*

#### Schedule

Surveying Milestones	Documentation	Scheduled Completion Date	Responsible Person
Conduct Verbal Requester Survey (five per month)	Survey Questionnaire	Monthly	Chen
Compile/Analyze/Report Results	Year-End Self-Assessment	July 2003	Chen

#### Gradients

<b>Unsatisfactory</b>	< 62.0% of customers responding to survey are satisfied.
<b>Marginal</b>	62.0% - 71.9% of customers responding to survey are satisfied.
<b>Good</b>	72.0% - 81.9% of customers responding to survey are satisfied.
<b>Excellent</b>	82.0% - 91.9% of customers responding to survey are satisfied.
<b>Outstanding</b>	≥ 92.0% of customers responding to survey are satisfied.

#### Performance Measure Results

#### Third Quarter Results

Results of surveys conducted through the Third Quarter indicate that 96.5% (43 of 45) of surveyed customers are satisfied, which meets the criteria for Outstanding. This indicates that Berkeley Lab continues to exceed expectations for customer satisfaction relative to its purchasing system. The high customer-satisfaction rating indicates that program objectives are being met, and that customer-driven solutions have been recognized and appreciated by the Laboratory's procurement users.

The above result is attributed to the Financial Services Department's (FSDs) drive to improve customer-service levels by constantly upgrading and improving existing procurement-interfacing systems (Financial Management System [FMS], Accounts Payable [A/P], Integrated Reporting and Information System [IRIS] II—soon to be replaced by Berkeley Lab Information System [BLIS], etc.), adapting to unique customer needs, innovative problem solving, and removing communication barriers between departments. The Procurement Web site, in providing convenient access to a variety of Laboratory resources, continues as the Laboratory's one-stop Procurement resource center in providing the following: Procurement Order Wizard; access to IRIS II data warehouse; links to UC and other institutional Web sites; recycled product listings for meeting Executive

Order 13101 requirements; and shipping and equipment-repair guidelines. In addition, the PeopleSoft Purchasing Receiving Payable (PRP) system's Web-based requisitioning process and online approvals greatly facilitates acquisition requests; its real-time system interfaces with other Laboratory systems (e.g., A/P, FMS) continues to provide unfettered access to reports.

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**Sub-Measure 3**

**Managing Financial Aspects (Activity Value: 5 Points)**

*The Laboratory shall ensure optimum cost efficiency of purchasing operations.*

**Sub-Measure 3.1**

**Process Cost (Activity Value: 5 Points)**

*The Laboratory shall compare its operating costs as a percentage of total procurement dollars obligated to benchmarking data and industry standards and establish goals and gradients accordingly.*

**Sub-Measure 3.1.a**

**Cost to Spend Ratio (Activity Value: 5 Points)**

*Operating costs as a percentage of total procurement dollars obligated will be computed. The Laboratory's Purchasing Organization costs shall be divided by total purchasing obligations using the following formula:*

$$\text{Cost to Spend Ratio} = \frac{\text{Purchasing Organization Costs}^*}{\text{Total Purchasing Obligations}}$$

*\*Costs associated with Total Purchasing Obligations*

*Performance will be assessed and rated based on the following gradients:*

**Unsatisfactory** > 2.50%

**Marginal** 2.21% – 2.50%

**Good** 1.96% – 2.20%

**Excellent** 1.70% – 1.95%

**Outstanding** < 1.69%

**Performance  
Measure Results**

**Third Quarter Results**

The Laboratory's Third Quarter YTD Procurement Cost to Spend was 2.07%, which meets the criteria for Good. The improvement over the lackluster Midyear result (2.52%) was attributed to a doubling in program spending in the Third Quarter versus the Second Quarter. The 2.07% ratio reflects YTD FY-2003 Procurement Costs and Commitments as follows:

Procurement Operating Expense: \$2,121,557\*

Procurement Commitments: \$102,670,583

*\*Does not include new Distributed Procurement Unit (DPU) costs*

**Sub-Measure 4****Learning and Growth (Activity Value: 15 Points)**

*The Laboratory shall ensure that information and feedback mechanisms are available to procurement employees to enhance continued successful procurement operations.*

**Sub-Measure 4.1****Employee Feedback (Activity Value: 5 Points)**

*The Laboratory shall foster improvement of processes and performance by assessing and pursuing improvements in employee satisfaction.*

**Sub-Measure 4.1.a****Employee Satisfaction Rating (Activity Value: 5 Points)**

*As a continuous indicator of overall customer satisfaction under the BSC, LBNL Procurement will conduct written climate surveys of Procurement employees (excluding contractor employees) relative to its purchasing systems and methods and use the results to create satisfaction ratings. FY 2003 surveys will be conducted as described below.*

*Procurement Employees*

*All LBNL Procurement employees will be surveyed during May of 2003, based upon a 100% confidence level.*

*Questionnaire*

*The survey questionnaire addresses core response areas in the BSC Performance Measurement and Management Program including workload, tools and equipment, management, and procurement ethics.*

*The Procurement Employee Survey will ask employees to rate their agreement with 12 questions within a range of 1 (strongly disagree) to 5 (strongly agree) as well as an overall satisfaction rating (Poor, Below Average, Satisfactory, Highly Satisfactory, Outstanding). All of a respondent's ratings will be added and divided by the sum of all questions (except those left blank) to arrive at a Respondent Satisfaction Index for each respondent. A score of 3.0 or higher shall mean the respondent is satisfied. In addition, respondents will be asked to provide an overall satisfaction rating. Additional respondent comments will be evaluated.*

*Scoring*

*The following formula will be applied to measure Employee satisfaction:*

$$\text{Employee Satisfaction Rating} = \frac{\text{Number of Satisfied Employees}}{\text{Total Number of Employees Responding to Survey}}$$

*Survey results and comments for potential areas for improvement will be compared against the previous survey results to the maximum practicable extent and presented to Procurement management for review, analysis, and required action. Results will be reported in the year-end Self-Assessment.*



Schedule

Surveying Milestones	Documentation	Scheduled Completion Date	Responsible Person
Distribute Written Employee Surveys	Survey Questionnaire	May 1, 2003	Chen
Compile/Analyze/Report Results	Year-End Self-Assessment	July 2003	Chen

Gradients

**Unsatisfactory** < 60.0% of employees responding to survey are satisfied.

**Marginal** 60.0% - 69.9% of employees responding to survey are satisfied.

**Good** 70.0% - 79.9% of employees responding to survey are satisfied.

**Excellent** 80.0% - 89.9% of employees responding to survey are satisfied.

**Outstanding** > 90.0% of employees responding to survey are satisfied.

**Performance  
Measure Results**

**Third Quarter Results**

The FY-2003 Procurement employee survey covered topics relating to timeliness, quality work environment, efficiency, communications, openness to innovation, and ethics. The employees were asked to rate their agreement with 12 statements on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree), in addition to providing an overall performance rating (Poor, Below Average Satisfactory, Highly Satisfactory, or Outstanding) and any additional comments. All of a respondent's ratings are added and divided by the sum of all questions (except those left blank) to arrive at a satisfaction index for each respondent. A score of 3.0 or higher means the respondent is satisfied. For trending purposes, the survey's approach, sampling parameters, questionnaires, data compilation, and scoring methodologies were kept largely identical to the FY-2002 survey. The survey was administered to all Berkeley Lab Procurement employees (35) in May 2003.

Twenty-seven responses to questionnaires were returned prior to the deadline. The survey results indicated that 25 out of 27 respondents are satisfied, which produces an "Employee Satisfaction Rating" (number of satisfied employees ÷ number of respondents) of 92.6%. Two employees were not satisfied based on the evaluation criteria. The consolidated averaged rating of 4.3 for the 12 questions was found to lie between "neutral" and "strongly agree," and indicates that employees on the whole are highly satisfied. The respondents' averaged rating of overall satisfaction was above average, and indicated high satisfaction among the group.

Respondents gave the highest agreement with Questions 5 (I have the materials and equipment needed to work safely) and 6 (I successfully

perform the tasks assigned to me). The high scores attained were not surprising, since the two questions are related. Question 5, in particular, showed an improvement over last year, attributed to ergonomic and job safety reviews recently conducted. Question 3 (I am proud of the work I do) was the second highest rated question, with an average score of 4.5 (same as last year). This shows that employees continue to take pride in their accomplishments. Overall, averaged ratings of ten of twelve questions improved over last year (1, 2, 5, 6, 7, 8, 9, 10, 11, 12); one deteriorated (4); while one scored the same as last year (3). On the whole, none of the scores averaged below 4.0, compared with seven questions below 4.0 last year. This represents a notable achievement.

The results also presented some challenges. Questions 9 (My workload is usually manageable) and 12 (Management listens to my concerns and ideas) received the lowest averaged scores, followed by Question 4 (I have the tools to do my job). To address Question 4, new computers will be furnished to employees at the end of the fiscal year (one employee commented on needing new computers). Of all the questions, Questions 7 (I am treated fairly by management), 8 (I am recognized for doing a good job), and 12 (management listens to my concerns and ideas) had the biggest margin of improvement over the prior year, where all three questions were rated lowest. This is attributed to increased dialogue and improved communication between employees and management.

Other comments noted that were consistent with the ratings attained included: "New computers with better operating system are needed" and "Promote from within for the Distributed Small Purchasing Group." Management has addressed both of these concerns. As noted above, new computers will be ordered by year-end. Additionally, the CFO continues to support the policy of hiring from within to the greatest extent practicable. This has resulted in the internal posting of a majority of new positions created under the newly formed Distributed Procurement Unit (DPU).

The overall survey response carried a positive tone and suggests that the following activities taken in FY 2003 to improve employee satisfaction have been effective:

- Filling of career CPO position
- PRP requester alert customization
- Updated subcontract terms and conditions, and procedures
- Maintained a high level of information availability
- Internal postings of new DPU positions
- Safety/ergonomic training and reviews
- Continuation of Limited Flexible Work Option Pilot

**PRO-34 Procurement**

- Telecommuting; Suggestion Box, Spot Award Program, etc.
  - Midyear booking of employee-requested training classes
-

**Sub-Measure 4.2****Information Availability (Activity Value: 10 Points)**

*The Laboratory shall make readily available to its employees current information important to the successful performance of their procurement related functions.*

**Sub-Measure 4.2.a****Measuring Availability of Information (Activity Value: 10 Points)**

*The Laboratory will track, trend, and report the level of information available to Procurement employees. Information is considered available if it is current or requires only minor revision and the information is in compliance with Prime Contract requirements.*

*The following formula shall be applied to measure the level of information availability on a quarterly basis:*

*Level of Information Availability =*

$$\frac{\text{Number of Information Items Available (End of Quarter)}}{\text{Number of Information Items Needed (End of Quarter)}}$$

*The following formula shall be applied to measure the level of information availability for year-end reporting:*

*Level of Information Availability =*

$$\frac{\text{Sum of Number of Reported Information Items Available (Four Quarters)}}{\text{Sum of Number of Reported Information Items Needed (Four Quarters)}}$$

*Gradients (Year-End Reporting)*

<b>Unsatisfactory</b>	< 85.0%
<b>Marginal</b>	85.0% - 87.9%
<b>Good</b>	88.0% - 90.9%
<b>Excellent</b>	91.0% - 93.9%
<b>Outstanding</b>	≥ 94.0%

**Performance  
Measure Results****Third Quarter Results**

Procurement's FY-2002 yearend reported Level of Information Availability was 92.66%, reflecting 922 available items out of 995 needed (total of 4 quarters). The FY-2002 Fourth Quarter result alone was 93.2% (234 available out of 251 needed). The following actions have transpired since that report:

*First Quarter*

- Seven Oracle purchasing system information items converted to PeopleSoft

- Revised Web links for SIC and Commerce Business Daily to NAICS and Federal Business Opportunities.

*Second Quarter*

- Added SP 4.9 (available)
- Updated status of SP 37.1 from not available to available.

*Third Quarter*

- Added SP 24.X, Health Insurance Portability and Accountability Act (not available).

Procurement’s level of information availability for the Third Quarter was computed to be 93.3% (236 available out of 253 needed). Berkeley Lab’s fiscal year-to-date result (subject to Fourth Quarter supplemental data adjustments) is 93.4% (706 available out of 756 needed). This meets the criteria for Excellent.

The Laboratory’s performance by quarter is as follows:

End of First Quarter:	93.2% (234 items available; 251 items needed)
End of Second Quarter:	93.7% (236 items available; 252 items needed)
End of Third Quarter:	93.3% (236 items available; 253 items needed)
End of Fourth Quarter:	TBD

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**Supporting Data**

All supporting data for PROAM activities are retained in procurement files and are available upon request.

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